

CITY OF BELMONT

FINANCE COMMISSION MINUTES

February 5, 2004

Commissioners Present: Lieberman, Ledoux, Mannisto, Troyan, Korn, White

Staff Present: Finance Director Fil, Treasurer Violet and Administrative Assistant Voelker

Others Present: Candidate George Kranen, Candidate George Burgess, Candidate Olga Sample, Candidate Mike Loo, Prospective Candidate Joe O'Brien, Councilmember Bauer, Councilmember Feierbach, and Councilmember Mathewson

1. Commission Chair Lieberman called the meeting to order at 7:34 P.M. Due to the large number of visitors and candidates, introductions were made. Finance Director Fil made a public comment, noting to the prospective candidates that the Finance Commission usually meets in the Senior & Community Center Game Room, but in order to accommodate space for all visitors, the Commission is meeting in the larger room this evening.

In addition, Director Fil also updated the Commission on the sale of the Library bond. The bond was successfully sold on Wednesday, February 3rd. They were issued at \$8.65 million, sold at a premium, and it was smooth transaction overall, complete with a AAA rating. In response to a question by Commissioner Ledoux, Director Fil responded that the natural rating of the bonds was an A-.

Treasurer Violet commended the staff on a great job with answering numerous questions posed by the rating agencies. He also pointed out that the bonds had 2 bidders, and that a local firm (located in San Francisco) won the bid. The transaction will close on February 18th and staff will look for the wire transfer thereafter.

Administrative Voelker also made a public comment, reminding the Finance Commission of the upcoming Commissioner Appreciation dinner hosted by the City on Friday, February 20th. In addition, she also reminded the Commission of the upcoming joint meeting with City Council on February 24th, and that, as per the request of the

City Clerk, all Commissioners are requested to RSVP their attendance in advance.

2. To accommodate visitors by providing an opportunity to leave early, Chair Lieberman recommended that the agenda be amended slightly. Moved by Chair Lieberman, seconded by Commissioner Troyan, by unanimous voice vote, the agenda was amended to move Item #10 to be discussed prior to Item #9.

3. Moved by Commissioner Mannisto, seconded by Commissioner White, with Commission Chair Lieberman abstaining, by unanimous voice vote, the Finance Commission minutes of January 8th were approved.

4.

a. Finance Director Fil explained to the Commission that, due to the upcoming joint meeting with City Council to discuss mid-year budget reviews on February 24th, he would briefly review the December financial reports without much detail.

i. The General Fund balance stands at \$1.5 million.
Staff was aiming to meet

\$2.2 million, but anticipate significant challenges due to a 1998 revenue stream supporting a 2004 cost structure. Director Fil stated that the City will have to make some cost cutting measures above and beyond what was implemented in November 2003. He explained that the most significant threat is the Transient Occupancy Tax (TOT), which is in its 4th year of a downward trend due to a combination of low utilization and room rates.

Director Fil pointed out that the City is at 50-60% of what staff would expect to see, and that projections are off by nearly \$300,000-400,000 in revenue alone. He also noted that sales tax continues to be in

a downward trend. A broader, more comprehensive presentation will be given at the joint meeting. Director Fil assured the Commission that he would be working closely with the City Manager to address a detailed action plan.

In response to a question posed by Councilmember Bauer, Director Fil responded that it would be premature to give the Commission an estimated amount of what cost cutting will entail, but assured the Commission that it will be fairly significant. He pointed out that this is the risk that comes with relying on the contribution of 3 major taxpayers for 50% of the incoming sales tax. Sales tax and TOT have historically been used to build Belmont's reserves.

Director Fil clarified that not all cost cutting alternates were used from Plan B (implemented in November), and that there is also a Plan C and D from which to discuss cost cuts. In response to a question by Commissioner Ledoux, Director Fil stated that this is the 4th mid-course correction, and that the City is in excess of \$2 million in cuts thus far.

Moved by Commissioner White, seconded by Commissioner Ledoux, by unanimous voice vote, the December financial reports were noted and filed.

ii. Finance Director Fil gave a brief update on Capital Projects:

a The Police Facility/City Hall project is currently under construction; progress slowed down slightly due to the

discovery of a skeleton in the foundation. It has been removed and work has continued. In response to a question by Commissioner Ledoux, Director Fil answered that this hurdle will not likely impact the project budget. Construction workers have one more area to excavate, and the project is moving along.

b The Ralston/101 interchange is also moving ahead; some property was required to be condemned in order to proceed, but tenants have been quite cooperative.

c The new Library project is now officially funded due to the bond sale earlier this week. The project is on track for an approximate November start date.

b. Treasurer Violet then reviewed the monthly Treasurer's report for the City of Belmont, noting that there was an ending balance of roughly \$29.9 million. He explained that the City received December property tax collections, but that disbursements also show an increase, including the \$2 million paid to Oracle for a loan repayment.

In response to a question by Commissioner Korn, Treasurer Violet reported that property taxes were, in fact, just a bit above what the City was expecting.

Treasurer Violet provided detail on the remainder of the report, including pass through payments to the school districts. He noted that all accounts have been reconciled and signed off.

Treasurer Violet then reviewed the Treasurer's report for South

County Fire Authority, with an ending balance of approximately \$970,000. This balance reflects the monies disbursed for Fire Station 14. He did express concern about the dwindling balance of the Authority's budget, and is anxious to take part in the mid-year review of these finances.

Commissioner Troyan then posed a question whether funds earned from interest could be used for other purposes? Both Director Fil and Treasurer Violet addressed this issue, explaining that there are a number of criteria that must be met with interest distribution. For instance, many types of proceeds are restricted by contractual law to be used only for specific purposes. In addition, in some cases, the State of California has certain statutes instructing where the money must be allocated. Thirdly, in many cases, City Council gives direction as to where interest will be allocated, albeit with some discretion.

Commissioner Troyan suggested that, although certain funds may be restricted in these manners, it may be time to review and revise Belmont's investment policy to accommodate difficult financial times. To this, Treasurer Violet responded that the investment policy is reviewed annually. The priorities are (1) safety, (2) liquidity, and (3) yield, respectively. Unless the Treasurer is willing to change these priorities, other alternatives must be considered. Treasurer Violet added that it also might be very risky to engage in this type of activity with public funds.

Director Fil also responded that, although this is not the first time this suggestion has arisen, most of the monies earning interest are in bond funds, and it could be quite serious if these funds took a hit on the principle because a risk was taken for the objective of increasing yield. For this reason, Director Fil urged the Commission to focus on costs, which are more certain.

Councilmember Bauer then raised the issue of the State's "triple flip" proposition, and questioned the Finance Commission's stance on this issue. Director Fil clarified "triple flip" for the visitors' benefit. The State has proposed to borrow money from local governments, suspend half of the 1% of sales tax which belongs to cities, and give local governments the property tax in return, from the schools.

In response to a question posed by Commissioner White, Director Fil

explained that, as a result, schools will receive a bigger contribution from the State's General Fund. He added that voters will have an opportunity to decide whether the State will sell bonds. If not, there appears to be no Plan B course of action for the State leading to a fiscal crisis.

The Commission then turned their attention back to the Treasurer's Reports. Treasurer Violet reported that all accounts were reconciled and approved.

On a motion by Commissioner Ledoux, seconded by Commissioner Trojan, by unanimous voice vote, the December Treasurer's Reports were noted and filed.

5. Director Fil then introduced the topic of the Finance Commission's role in the Priority Calendar process. He explained that this is a semi-annual process to share with City Council those projects that the Finance Commission considers priority.

The Finance Commission is being asked to review projects that are already on the priority calendar, and made decisions to add or modify the list. This list will then be packaged, along with staff's analysis, City Council will then declare the official priorities, and the Finance Commission will then follow through with their direction.

The first priority listed was GASB 34 Implementation; Director Fil explained that this project has been fully implemented as of June 30, 2003. The second project listed as a priority is the New Library. This project is getting closer to completion as it converts from funding to construction mode. Thirdly, the Development Impact Fee Study is on the list of priorities. Director Fil updated the Commission that Requests for Proposals were sent out regarding this project, but consultant fees were extremely high. Staff is working on sending out another Request for Proposals in the near future. Lastly, the South County Fire special financial study project will take a significant amount of time from staff and sub-committee members and may be considered as an additional item on the priority list.

Director Fil suggested to the Commission that they table this item until after the next agenda item is addressed. The Commission agreed.

6. Commission Chair Lieberman explained to the Commission that Councilmember Warden proposed to the South County Fire Board that the Belmont Finance Commission review the financial situation of South County Fire and, using creative ideas, propose options that will make South County Fire more financially viable.

That proposal was approved by the Fire Commission, and Chair Lieberman has been asked to create a sub-committee from the Finance Commission to work on this study and draft a proposal to the Fire Commission for the Authority. Chair Lieberman recommended Commissioner Ledoux, Commissioner Korn, and himself serve as Finance Commission sub-committee members.

Director Fil added that, in addition to the Commissioners, the sub-committee would include himself, Treasurer Violet, former Treasurer Mason and Treasurer Mike Galvin of San Carlos. Periodic reports of the sub-committee's progress will be brought back to the Finance Commission, and before the report is presented to the Fire Board, the Finance Commission will be asked to review and take action.

Councilmember Bauer then raised a question as to whether the Finance Commission had considered gaining the full approval of the San Carlos City Council. Director Fil responded, admitting that that may be an issue, but that 2 members of the Fire Board also serve on the San Carlos City Council, and both were fully supportive of the endeavor. The sub-committee may seek to gain the approval of the whole San Carlos City Council at some point. Nonetheless, Director Fil also mentioned that there will be significant discussion among this sub-committee that will not involve San Carlos, and that the duty of Belmont's Finance Commission is to serve the City of Belmont first and foremost.

On a motion by Commissioner Troyan, seconded by Commissioner Mannisto, by unanimous voice vote, the Finance Commission recommended Commissioners Lieberman, Korn, and Ledoux to serve as South County Fire Protection Authority's Finance Study Subcommittee.

7. The Finance Commission then turned their attention once again to the Priority Calendar. Chair Lieberman asked for any questions or suggestions by the Commission before proceeding with a motion.

On a motion by Commissioner Troyan, seconded by Commissioner White, by unanimous voice vote, the Finance Commission recommended that the GASB 34 project be dropped from the priority list, accepted the two remaining projects to stay on the list, and ranked the South County Fire Protection Authority Special Financial Study as the top priority.

8.

a. Chair Lieberman called for Commissioners to volunteer to be present at the next Council meeting. Being that the February 24th Council meeting is a joint mid-year review meeting with the Finance Commission, Chair Lieberman urged all Commissioners to attend. Commissioner Ledoux volunteered to attend the February 10th meeting.

Chair Lieberman asked Commissioners Korn and Troyan if they would like to share anything from the January City Council meetings that may be pertinent to the Finance Commission. Commissioner Troyan mentioned that, at the January 27th meeting, Measure A was discussed; these funds used for Street Improvements will be expiring soon and will be a ballot item in November 2004.

b. Commissioner Ledoux then reported to the Commission that the Economic Development Summit meeting held on Saturday, January 24th, was quite informative and motivational. He reported that staff and consultants did a great job with presentations, and that the meeting environment was generally enthusiastic and was successful in generating a momentum to start putting these ideas into action.

c. Treasurer Violet had nothing new to report for the City Treasurer Update, since the sale of the bonds was discussed at the beginning of the meeting.

9. Chair Lieberman then raised the topic of the Annual Finance Commission Reorganization to take nominations for a new Chair and Vice Chair.

Moved by Commissioner Ledoux, seconded by Commissioner Troyan, by unanimous voice vote, the Finance Commission nominated and reappointed Commissioner Lieberman as Finance Commission Chair.

On a motion by Commissioner Troyan, seconded by Commissioner Ledoux, by unanimous voice vote, the Finance Commission nominated and reappointed Commissioner Mannisto as Finance Commission Vice Chair.

10.

a. Moved by Commissioner Ledoux, seconded by Commissioner White, by unanimous voice vote with Commissioner Mannisto abstaining, the Finance Commission recommended the reappointment of Commissioner Mannisto until March 2007. C

b. On a motion by Commissioner Ledoux, seconded by Commissioner Troyan, by unanimous voice vote with Commissioner White abstaining, the Finance Commission recommended the reappointment of Commissioner White until March 2007.

c. Chair Lieberman then reviewed the process by which the Finance Commission would interview the 3 applicants (Candidates Olga Sample, George Burgess, and George Kranen) to fill one of the vacancies on the Commission.

He explained that since it is a public meeting, everyone has a right to stay and observe the interviews, but as a courtesy, applicants or those considering applying will usually leave voluntarily and wait outside.

The Commission then confirmed among themselves the questions that would be asked of the applicants. Shortly thereafter, Candidate Sample, Candidate Burgess, and Candidate Kranen were each interviewed individually. The Commission also discussed the criteria of a Finance Commissioner to each candidate.

There was no motion recommending the appointment of any of the candidates to serve on the Finance Commission for the vacancy, term ending March 2005.

11. Moved by Commissioner Ledoux, seconded by Commissioner White, by unanimous voice vote the meeting was adjourned at 11:09 p.m.

Sincerely,

Thomas Fil

Finance Director